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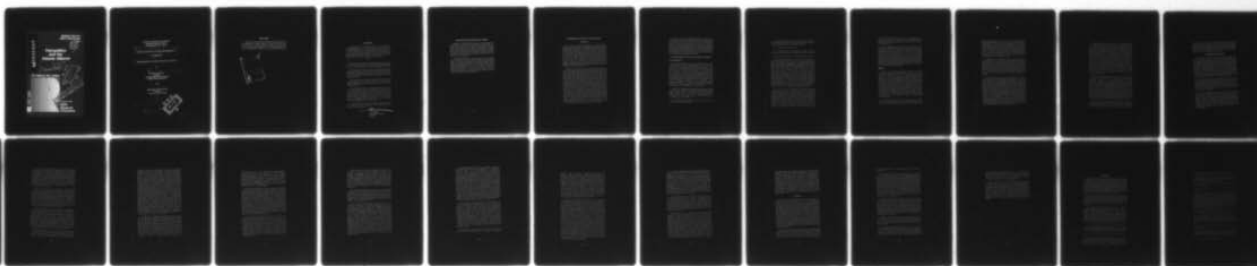
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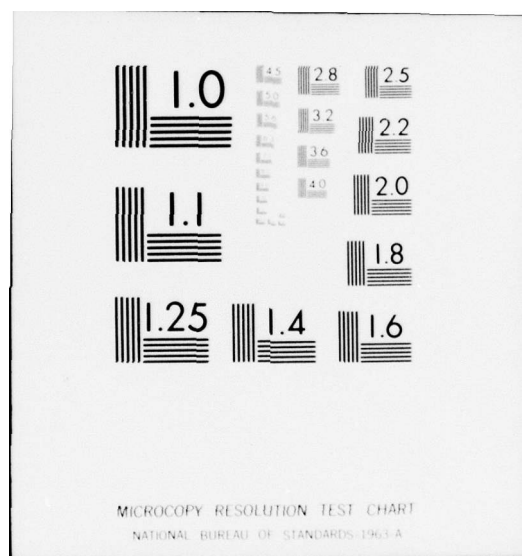
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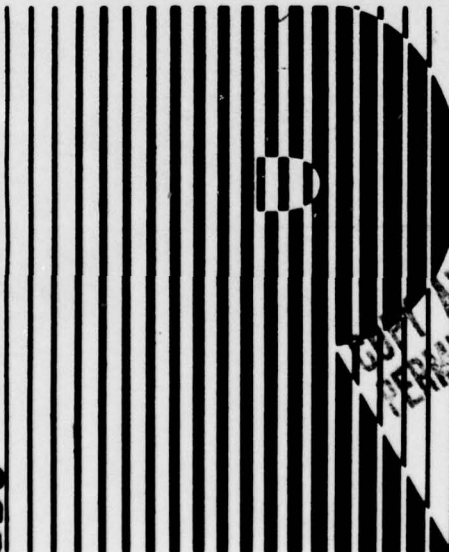
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# Petropolitics and the Atlantic Alliance

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## FOREWORD

"Petropolitics and the Atlantic Alliance," National Security Affairs Monograph 76-1, is the first of a series of papers to be published by the Research Directorate of the National Defense University. Papers in the monograph series will be prepared by faculty members and research fellows at the National Defense University, The National War College, and the Industrial College of the Armed Forces, and by selected students at the two colleges, and selected associates.

\* \* \* \*


More than three years have passed since the petroleum crisis of 1973 forced the United States to confront the multifaceted challenge posed by an impending imbalance between energy supply and demand.

The crisis posed two special problems for the West regarding the linkage between energy and the security of the Free World. First, the recognition that military power is sustained by the economic strength of the alliance partners and, at present, is contingent upon an adequate supply of petroleum.

The second centered around the danger that the greater dependence of the European states and Japan on imports of oil could lead to beggar-thy-neighbor competition and tend to undermine the cohesion of the Western alliance.

The United States reaction to the latter issue is the subject of this first National Defense University monograph on national security affairs. In it, Professors Joseph S. Szyliowicz and Bard E. O'Neill have reviewed the interaction between the United States and its allies. They have described short- and long-term effects of the crisis on American-European relations and suggested several factors to account for changes which occurred. Finally, they have admonished us that we can hardly be assured that the problem has been laid to rest.

Such opinion, in the years ahead, can have significant impact on our national thought. To this goal the National Defense University Research Directorate dedicates itself.



M.G. BAYNE  
Vice Admiral, U.S. Navy  
President

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## PETROPOLITICS AND THE ATLANTIC ALLIANCE

### Introduction

On 16 October 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC), responding to the emergency airlift of American military equipment to Israel, announced that it had decided to decrease the production of crude oil and to embargo, *inter alia*, the US and Holland. The impact of this decision was immediate and far-reaching. Oil had become the lifeblood of every developed country's economy, and the industrialized nations were suddenly confronted with the possibility of severe economic dislocation and rising unemployment. The subsequent quintupling of the posted price of oil exacerbated such fears, as heads of government and finance ministers ominously contemplated the effects that would follow in the wake of sharply increased payments deficits and the accumulation of staggering financial reserves by oil-producing states.

Nowhere was the concern over such developments more prevalent than in Europe where most states quickly moved to endorse the Arab version of Security Council Resolution 242 (SC-242), which called for a total Israeli withdrawal from the territories occupied in 1967. Since the United States took a dim view of this course of action, because of its moral obligations to Israel and its perceptions of the costs that would be incurred in terms of the credibility of its international commitments, an already strained relationship with Europe was subjected to yet another burden. In the months which followed, other issues derived from the petroleum crisis, such as the conflict between Europe's stress on bilateralism and America's emphasis on multilateralism, generated still more acrimony. Nevertheless, by the time of the preparatory conference of producers, consumers and lesser developed countries (LDCs) in April 1975, the American and European representatives, despite some nuances in their positions, joined together in rejecting a proposal by the Organization of Petroleum Exporting Countries (OPEC) and the LDCs that a follow-on major conference deal with other raw materials besides oil. Thus, despite the stagnation and acerbity that had characterized US-European relations prior to and immediately after the embargo and production cutbacks, the two sides were, by the spring of 1975, sufficiently united to present a common front to OPEC.

How this change in US-European relations occurred is the principal question to be addressed below. We are concerned primarily with the manner and extent to which US relations with Europe were affected, both over the short and longer term by one of the major events of recent years, the embargo and its aftermath, an event that the Institute for Strategic Studies labelled "one of the major turning points in world history." We begin with a discussion of the goals, objectives and techniques of American policy prior to October 1973 in order to provide a necessary backdrop against which we can assess the changes of kind and degree that transpired in US policy.<sup>1</sup>

#### **American Foreign Policy and the Atlantic Alliance: Pre-Embargo**

##### **Goals and Objectives**

During the Nixon tenure in office, the Atlantic Alliance was profoundly affected by major transformations and events in the international arena. For one thing, Western Europe's emergence as a major economic entity (through the European Economic Community-EEC) made it appear an evermore serious competitor of the US, whose balance of payments was deteriorating and currency depreciating. Meanwhile, in the security issue area, the US and USSR had moved to a position of approximate nuclear parity and continued to examine ways of strengthening detente. Not surprisingly, both developments created uneasiness among a number of European leaders over the credibility of US security commitments.<sup>2</sup> Realizing that both developments, if left unattended, could have a corrosive effect on the Atlantic Alliance, the US proposed a thorough examination of American-European relations and declared that 1973 would be the "Year of Europe."

The officially articulated *goal* of American foreign policy was the establishment of a consultative partnership with its European allies that would be characterized by a broad political perspective from which political, military, and economic problems could be addressed. To achieve this goal, a wide range of objectives was identified in the political, military, and economic spheres.

In the political realm the Administration stressed several *objectives* which may be summarized as follows:



(a) building a common diplomatic framework and establishing a set of principles which would facilitate the reconciliation of national objectives with the demands for a unified Western policy;

(b) redefining the basic partnership;

(c) examining the concrete problems that impinge on specific American interests and agreeing on a comprehensive way to solve them;

(d) increasing diplomatic consultations with European leaders.<sup>3</sup>

The political objectives were, of course, closely related to the military relationship with Western Europe, especially the questions raised by both the Strategic Arms Limitation (SALT) and Mutual and Balanced Force Reduction (MBFR) talks with the Soviet Union, and the adverse impact that continued US military deployments in Europe were having on the American balance of payments. Within this context, the US focused on the following objectives in terms of military relations: (a) devising a "realistic" defense strategy which would take into consideration the new strategic balance between East and West and which would be conducive to a more equal sharing of burdens; (b) improving NATO's conventional forces; (c) obtaining allied agreement on the need to modernize NATO's forces; (d) maintaining the US military deployment in Europe, lest deterrence be undermined; (e) agreeing on ways to reduce both Eastern and Western forces in Europe (MBFR) without injuring security; and (f) defining the doctrinal, force structure, logistical, and deployment requirements of the "flexible response" strategy in light of changing conditions.<sup>4</sup>

As far as the economic relationship was concerned, the US was troubled not only by the aforementioned impact that continued military deployment had on its balance of payments, but also by the fact that the EEC's stress on regional autonomy and a relatively closed European trading system was antithetical to the traditional American emphasis on an open international economic system and had resulted in an inability to deal with problems of monetary reform. In response, the US outlined several *objectives* that it would pursue, including the identification of concrete economic issues that had to be resolved, the creation of a consultative framework for addressing solutions to these problems, restoration of the integrity of a more open trading system,

reforming the international monetary system, and halting the drift toward protectionism by reducing tariffs and eliminating the preferential trading arrangements between the EEC and the lesser developed countries.

Further complicating economic relations between the United States and Europe were the results of a 1971 increase in oil prices. This problem was far more acute for Western Europe than for the US since the former produced only 2.6 percent of its total needs.<sup>5</sup> But, despite the concern of the Europeans with the new economic environment resulting from increased financial outlays for oil imports, American policymakers paid little attention to this topic. In a major policy address devoted to US-European relations, Kissinger made only passing reference in one brief paragraph to the problem, as did President Nixon in his May 1973 message on energy. The 1973 Presidential "State of the World" Address (Foreign Policy Report) failed to even mention the issue in the section dealing with Europe.<sup>6</sup>

#### **Methods.**

Kissinger's preoccupation with the need to establish a consultative framework to deal with major political and military issues may well have been a prime reason for the lack of emphasis on economic questions in general and energy issues in particular.<sup>7</sup> Whatever the explanation, it is not surprising that the methods employed by the United States were aimed at fulfilling the objectives necessary to make the Year of Europe a successful reality. To that end, Washington stressed persuasion, offering of rewards, granting rewards, and (to a much lesser extent) the implicit threat of punishment. Persuasion was continuously exercised on all levels, including the many state visits involving American and European leaders. In conjunction with this, the US demonstrated a willingness to offer rewards on behalf of a number of objectives. In the political area the US continued to support the idea of European unity as well as European demands for a free flow of ideas and information at the Conference on Security and Cooperation in Europe (CSCE).

As far as economic issues were concerned, Washington indicated that it was willing to reduce tariffs and eliminate other barriers in order to foster a more open trading system and to cooperate in dealing with

energy problems. When it came to security issues, Undersecretary of State Kenneth Rush made it clear in testimony before the Senate Foreign Relations committee that the Administration was committed to maintaining troop levels in Europe and participating in the modernization of NATO forces as part of a joint effort. At the same time, however, there was a *de facto* and subtle threat of punishment based on hints that unless the European states took steps to improve their forces and to help offset the American balance of payments problems associated with the US deployments, it would come under increased Congressional pressure to reduce those forces.<sup>8</sup>

Unhappily for the US, there was little discernible movement on any of these issues as of October 1973 and, indeed, what had been heralded as the "Year of Europe" had turned out to be a year in which US-European relations actually deteriorated and were often marked by bitter recriminations. The reasons for this sad state of affairs were to be found on both sides of the Atlantic, and reflected fundamental disagreements among the allies over the political, military, and economic issues noted above. These, in turn, were rooted in the differing power positions, domestic environments and national objectives of the states involved.

From the European perspective, the US proposal for a comprehensive consultative scheme represented an attempt to assert ever greater influence over Europe's affairs. Despite effective consultations on matters related to SALT, MBFR, and the Conference on Security and Cooperation in Europe (CSCE), the Europeans remembered quite clearly the extent to which the US had, on past occasions, neglected to engage in meaningful consultations prior to such policy decisions as President Nixon's August 1971 economic and currency measures, the Kissinger visit to Peking and the Soviet-American pact on the avoidance of nuclear war in June 1973.<sup>9</sup> While Kissinger was probably sincere in his desire to establish arrangements whereby all parties would be able to participate in decisionmaking on issues of common concern, the Europeans, because of this record, suspected that the new American initiative represented a device to legitimize policies unilaterally devised by Washington. The French in particular exhibited great concern in this regard and prominently articulated their reservations over the notion of a consultative partnership and a new Atlantic declaration.



Further exacerbating relations between the US and Europe were the official American military and economic objectives mentioned above. Talk of upgrading NATO's conventional capability and of reallocating the costs of defense raised questions with difficult domestic implications for the Europeans. During a period in which the US was emphasizing detente, West Germany Ostpolitik and France rapprochement with the USSR, it was no simple matter to convince governmental and opposition leaders to increase expenditures on defense. With inflation threatening the economic gains that had been achieved by many Europeans, politicians were even less willing to advocate a shift of resources towards the military. Moreover, inherent in the US position was a threat to at least some domestic military industries. If weapons systems were to be upgraded and standardized, difficult questions of whose tanks, planes and missiles to adopt would inevitably have to be confronted. Similar reactions greeted Washington's economic objectives. The Europeans felt that their own economic well-being would suffer and that the US, as the major economic power in the world, would become even more dominant if the EEC were to adopt less protectionist policies.

In addition, the Europeans were determined to avoid any linkage between the continued presence of US troops in Europe and demands for European concessions on economic issues. Hence, they rejected Washington's suggestion of a comprehensive charter on relations, insisting instead on two separate joint declarations, one with the EEC, the other with NATO. The Europeans were especially sensitive to the use of such words as "interdependence" and "partnership," even in papers concerning economic relations. The US, for its part, was unwilling to concede on this point. Walter J. Stoessel, Jr., Assistant Secretary of State, for example, described a European proposal as "very thin," largely because it contained "little operative language" on the principles that would guide relations. Similar difficulties were encountered in the effort to draft a NATO declaration, for the French vigorously opposed any mention of NATO financial contributions.<sup>10</sup>

Clearly, there were important substantive differences between European and American interests. In advocating the idea of a consultative charter, Kissinger seemed to be striving to create a forum wherein these differences could be discussed and, hopefully, reconciled on a

cooperative basis. For progress along these lines, however, the existing climate of suspicion and distrust of US goals and objectives, on the one hand, and of European attitudes, on the other, would have to diminish. This could be achieved only when the US actually cooperated with the Europeans in successfully dealing with a significant common problem. The oil crisis was to represent just such a catalyst.

### **The Embargo and Its Aftermath**

The imposition of the embargo and production cutbacks by the Arabs and the quantum leap in oil prices actually reinforced the trends in European-American relations over the short term, for they subjected the Atlantic relationship to the pull of centrifugal forces that made the goals and objectives of US policy seem even less attainable than before. If anything, the period of October 1973-June 1974 represented one of the most turbulent chapters in the history of the twenty-five year Alliance, a turbulence triggered in large part by the asymmetrical position of the US and Europe in terms of dependence on Middle Eastern oil. At the same time, however, the supply and price decisions created just the kind of common crisis which was required for movement towards Kissinger's goal of a new Atlantic relationship.

For several months, it seemed as though the crisis would serve to further fragment the Atlantic Alliance. The immediate reaction of the European states was one of great consternation—a reaction that was not totally unjustified since, although the EEC had begun to work on energy questions, planning was still at a preliminary level and Europe was confronted with the very real risk of a depression if adequate energy supplies were unavailable.<sup>11</sup>

The result of European actions was to generate conflict within Europe as well as between the US and Europe. As two *Brookings Institution* analysts pointed out, "One of the most damaging consequences of the 1973-74 embargo was its divisive effect within Western Europe and between the United States and both Western Europe and Japan."<sup>12</sup> The strain in inter-European relations centered around the question of energy supplies for Holland, which had been embargoed. Dutch pleas for community solidarity and resource sharing were ignored as the other states scrambled to assure that their own needs would be met.<sup>13</sup>

A number of European countries reacted rather quickly to the pressures resulting from the cutback in oil supplies. Some bases were not available to the US for its resupply effort to Israel during the war. Moreover, largely in response to the urging of France and Britain, the Europeans adopted a declaration on November 6 which in effect endorsed the Arab version of Security Council Resolution 242. This statement, which according to the EEC Energy Commissioner Henri Simonet, gave the impression of appeasement at any price,<sup>14</sup> was not only made without consultation with the US but was issued on the very day that Kissinger arrived in Cairo to begin the delicate disengagement negotiations. For its part the US could also be accused of unilateralism and disregard for European interests. Washington did not bother to provide its allies with appropriate information concerning developments in the Middle East and did not consult adequately with the Europeans when making such far-ranging decisions as the re-supply of Israel.<sup>15</sup>

These trends were clearly retrogressive as far as Kissinger's European policies were concerned, and he was therefore compelled to pay renewed attention to US relations with Europe. Yet, he also had to focus on the embargo itself and on the relationship between American policies towards Europe, the Middle East and energy. Given the substantial dependence of Europe on oil imports from the Middle East, its well-being depended on an understanding with the Arab nations; and that well-being was of no small concern to Washington policymakers, given their view that a strong and healthy alliance was necessary for the achievement of US policy objectives throughout the world. In particular, *detente*, the cornerstone of Kissinger's global diplomacy, rested on a balance of power in which a vigorous NATO was viewed as an essential component.

While the US and the Europeans both agreed on the necessity of a strong and healthy alliance, there was sharp disagreement over specific approaches to particular issues. In general, the US favored a very close relationship, whereas the Europeans preferred to develop their own policy and then to coordinate it with the US. Furthermore, the European states were by no means united on all issues, especially the degree of cooperation with the US. France traditionally supported an independent stance; West Germany, on the other hand, tended to prefer close relations with the US because of the importance it attached to the American troops in Europe. These differences were to be manifested in subsequent developments. The US approach was clearly articulated by

Kissinger in a major address in London on December 12 in which he placed the energy issue within the larger context of trans-Atlantic consultations. He spoke of the "uneasiness" of the US over "recent practices of the European Community in the political field," and commented that presenting "The decisions of a unifying Europe to (the US) as *faits accomplis* not subject to effective discussion was alien to the tradition of US-European relations." Then, in remarks consistent with America's pre-embargo policy towards Europe, he stated:

*We are determined to continue constructive dialogue to Western Europe . . .*

*So let us rededicate ourselves to finishing the task of renewing the Atlantic community.*

*First, let us complete the work before us; let us agree on a set of declarations equal to the occasion so that they may serve as an agenda for our governments and as an example and inspiration for our peoples.*

*Second, let us then transform these declarations into practical and perceptible progress. We will restore mutual confidence if our policies begin to reinforce rather than work against our common objectives. And let us move quickly to improve the process of consultation in both directions. The United States Government made concrete suggestions in this regard at the recent meeting of the foreign minister in the North Atlantic Council.<sup>16</sup>*

On the specific question of energy, he stressed a multilateral approach, calling for the creation of an "energy action group" made up of "senior and prestigious individuals" which would develop an initial action program for collaboration on all aspects of energy (conservation, discovery of new sources, supply incentives, and research on new techniques). Producing as well as consuming nations were invited to join the group. The first concrete steps in this direction came soon after. Following warnings by Kissinger that a worldwide recession could result from the increased oil prices, President Nixon invited the Foreign Ministers of the major European states to a February meeting in Washington.

The reaction of the European states to these developments was not surprising and reflected their traditional views of the alliance relationship. They had agreed, at a mid-December meeting of the EEC in Copenhagen, on a vague and innocuous statement calling for a concerted effort to deal with energy problems. Now they resolved, at the urging of France, that the Washington Conference should not be a decisionmaking conference, should not lead to the creation of new institutions, and should not interfere in any way with the EEC's members' freedom of action. Paris also indicated that it would oppose any "syndicate of rich nations" that might be considered a common front against Arab oil producers.

This negotiating position resulted from intensive French diplomatic efforts which were rooted in continuing fears that the US policy was designed to undermine European plans to establish a special relationship with the Arab states to assure oil supplies and stable prices, and that the US implicitly aimed at ensconcing itself as the dominant power by continuing Europe's dependence on the US for supplies of enriched uranium into the 1980s.<sup>17</sup> Kissinger's reaction to these developments was direct and blunt. In a January press conference, he stated: "Our views and those of France are quite opposed on the energy crisis. To the extent that we believe that we are correct, I could not characterize the French attitude as constructive."<sup>18</sup>

Despite this evidence of American displeasure, the Europeans continued to develop their own initiatives and, as the Washington Energy Conference approached, the climate was further soured by several developments: a French decision to float the franc in order to strengthen the competitive capacity of its economy; a proposal by Western European countries to cooperate in a two-way declaration of guiding principles with Japan without the participation of the US (considered an open rebuff to a Kissinger proposal for a three-way declaration of American-European-Japanese friendship); European doubts about American willingness to share its oil; the continued French and British pursuit of bilateral oil agreements; and, a counterproposal by France that a UN conference be held instead.<sup>19</sup>

The Washington Energy Conference thus opened on a shaky note on February 11. Besides the wariness of the Europeans, particularly France, the Arab oil producers issued statements ranging from suspicion to outrage. Seemingly unperturbed, Kissinger, in his opening remarks,



called for an ambitious and wide-ranging cooperative effort among the consumers in the areas of conservation, research and development, emergency sharing, finances, development of alternative energy sources, assistance to lesser developed countries, and consumer-producer relations. For its part, the US, according to Kissinger, was willing to share its technology and fuels, and to invest in efforts to address the various problems.<sup>20</sup> French Foreign Minister Michel Jobert responded immediately and, reiterating France's position, called on the delegates to avoid imposing "a new world energy order." The difference between French and US policy crystallized over the US attempt to establish a coordinating group to prepare for future gatherings and to carry out any tasks that might be assigned to it. In this struggle the French found themselves isolated as the other European states accepted the need to develop close cooperative efforts with the US in this area. Thus, West Germany, Britain, the Netherlands, Belgium, the United States, and seven other nations agreed, among other things, on a comprehensive action program, financial and monetary measures to avoid competitive depreciation of currencies, plans for a conference with producers, and the establishment of an energy coordinating group (ECG) composed of senior officials and appropriate *ad hoc* working groups. France dissented on each of these matters in the final communique.<sup>21</sup> To underscore its opposition, the French Cabinet reaffirmed its policy of seeking bilateral oil agreements with producers, and Jobert restated that France's apprehension about US attempts to use the conference to establish hegemony was at the root of its opposition to US proposals. Asked if the French refusal to reach agreement was for political purposes, he replied: "Yes, it is a good conclusion."<sup>22</sup>

The steps taken at the Washington Energy Conference represented only the beginning of cooperation and serious problems, including the role of France, awaited resolution. While Kissinger sought to assuage Paris by stressing its importance to the US, he moved quickly to maintain the momentum by calling a meeting of the ECG to deal with procedural matters. Such momentum was indeed necessary if the differences that remained among the allies were to be resolved and multi-lateral mechanisms for dealing with energy problems institutionalized. Until such time as the ECG demonstrated some procedural and substantive successes, political leaders, particularly in Europe, had two basic choices: either pursue bilateral agreements or bide their time, waiting for the ECG to evolve into an effective instrument for

addressing energy issues. Since statesmen were under significant domestic pressures to deal immediately with the staggering energy-related problems that had begun to surface, they inevitably chose the former approach, at least over the short term. This tendency and the problems it generated were soon demonstrated as the EEC offered the Arab states a program of economic cooperation. Not only was this policy incompatible with the spirit, if not the letter, of the agreements reached at the Washington Conference, but the Europeans did not even bother to consult Washington.

The US reacted immediately and strongly to what it regarded as total disregard for its major policy goal of establishing a consultative partnership. State Department spokesman George S. Vest protested the failure to consult and declared that the US reserved "the right to take such similar action if it should be appropriate." The downward swing of transatlantic relations continued as Nixon, in a 15 March speech, warned the allies that failure to cooperate with the US in political and economic matters could lead to successful Congressional pressure for a *substantial cut in US forces in Europe*. "The day of the one-way street," Nixon asserted, "is gone."<sup>23</sup> This explicit warning may have been prompted by other factors as well, but the surprise announcement that Europe would cooperate with the Arabs cannot be discounted. To argue, as some observers like George Ball did, that Nixon's remarks represented an attempt to divert attention from Watergate, is, in our view, too simple an explanation because it does not take into account the antecedent transatlantic developments.<sup>24</sup>

In this atmosphere, Washington proceeded to announce its own bilateral arrangement with Saudi Arabia, whereby it agreed to strengthen that country's military and economic position. This agreement too was reached without consultation and, although it stemmed from the US desire to enhance its interdependent relations with that strategically important oil producer, it conveniently demonstrated that a European policy of bilateralism would have to confront the reality of America's superior capability to do likewise. Although the State Department argued that the agreement did not represent a barter deal for oil, the Europeans acidly noted that Kissinger had been negotiating with the Saudis at the very time that he had been reproaching them for their bilateral efforts.

These events marked the nadir of European-US relations, for in succeeding weeks, two political developments favorable to the emergence of meaningful cooperation occurred: the success of US diplomacy in the Middle East and governmental changes in Europe. As a consequence of Kissinger's shuttle diplomacy, the oil embargo had been lifted, diplomatic relations had been restored with Egypt, Algeria and Syria, and President Nixon had paid a successful visit to the area. The new American influence and prestige in the Middle East seemed to take the edge off European fears that Washington was following a course of action that would lead to an eventual confrontation with the oil producers.

The changes in European governments also had a favorable impact on Atlantic petropolitics. Helmut Schmidt's ascent to power in West Germany was significant because he supported cooperative efforts to solve both economic problems in general and energy difficulties in particular. In France, meanwhile, the election of Valéry Giscard d'Estaing brought to power an Independent Republican less wedded to the rigid Gaullist policies of his predecessor.<sup>25</sup>

Moreover, the US and the Europeans adopted specific actions to reinforce these diplomatic and domestic events and to create a new environment for multilateral cooperation. In Washington, the Administration deployed a strong lobbying effort to persuade the Senate to reject Senator Mike Mansfield's proposal for a reduction of 125,000 men in US troops stationed abroad and supported the establishment of an "oil facility" within the International Monetary Fund for the purpose of helping European and other nations with severe balance-of-payments problems. For their part, members of the Organization for Economic Cooperation and Development (OECD) pledged to avoid protectionist trade moves for one year, and the Europeans agreed to reduce import duties on up to one billion dollars in American exports each year, a move that Nixon called "a major step toward improved Atlantic relationships."<sup>26</sup> Finally, an informal "gentlemen's agreement" that Europe would consult the US without being bound by the results with the European countries was accepted at the NATO Foreign Ministers' meeting in Ottawa in June and endorsed in a formal declaration signed by the Heads of State in Brussels in July.<sup>27</sup>



Although these moves did not prove completely satisfactory to Kissinger, because the EEC remained committed to its own dialogue with the Arabs, the resulting atmosphere was decidedly less acrimonious. This was reflected in the energy field as the ECG was able to arrive at two far-reaching decisions, one organizational, one substantive. During meetings presided over by Belgian diplomat Viscount Etienne Davignon, agreement was reached on a proposal to create an International Energy Agency (IEA) as an autonomous agency within OECD and to share oil in the event of a future emergency. In the short term, the new arrangements were designed to reduce the dependency on Middle Eastern oil and to foster the development of alternative sources of energy, while in the long term efforts were to be directed towards mutually financed research and development in eleven fields. The Europeans insisted that the US engage in a major conservation effort, share its domestic supplies, and make oil company data available; the US argued for a strong organization capable of making rapid decisions. In meeting Washington's demands, the ECG devised a complex voting formula to share oil during an emergency that would be triggered by weighted majority decisions, a step which, significantly, went beyond NATO's requirement for unanimous decisions.<sup>28</sup>

As might have been expected, Paris did not exude enthusiasm over the new developments, although President Giscard d'Estaing had previously let it be known that his government was hopeful of finding a formula to coordinate its policies with the ECG through the OECD.<sup>29</sup> France criticized what it believed was a militant tone in the ECG agreements, the integrated staff and the American leadership; it further suggested that ECG efforts conflicted with an attempt to arrive at a common EEC energy policy, but it indicated that it was open to argument. The French ambivalence no doubt represented an attempt to cope with internal political pressures, especially from the Gaullists. By stressing its concern about the compatibility of EEC and Atlantic cooperation, the French Government was able to placate domestic opposition while at the same time providing the means for future cooperation with the IEA should EEC studies reveal that no contradictions existed.

The new French attitude towards cooperation with the US was evident when the two Presidents met on the island of Martinique in

December, where a conciliatory atmosphere prevailed. Both sides agreed on a preliminary meeting of producers and consumers to be followed by intense consultations among the consumers after which the US agreed in principle to a tripartite conference. Washington also agreed to terminate efforts aimed at persuading France to join the IEA, indicating that the desired cooperation could take place within the framework of existing institutions and agreements. Moreover, consumer solidarity on conservation, development of new energy sources, and creation of new financial mechanisms were emphasized; and France agreed to participate in a \$25 billion safety net proposed by Kissinger (see below), thus following the American preference for linking the various elements of energy policy. In the military sphere, Paris acknowledged the significance of NATO cooperation for the security of Europe and agreed to pay \$100 million compensation for costs incurred when deGaulle ordered NATO expelled from France.<sup>30</sup>

During this period Kissinger continued to press for the elaboration and implementation of a multifaceted approach to energy based on the decisions already reached. His interrelated aims were to (1) achieve close cooperation among consumers, (2) limit Western dependency on imported oil, (3) lay a foundation for a conference with the oil producers.<sup>31</sup> In several speeches he warned of the economic difficulties confronting the West and argued in favor of a policy designed to bring oil prices down. He stressed the need to cut back on consumption through conservation and, in mid-February 1975, the IEA reached agreement to reduce consumption by ten percent in 1975 and to enable its members to examine each other's programs to assure compliance. In conjunction with this, the Ford Administration continued to press Congress on the question of conservation so that it could uphold its side of the bargain. A second component of Kissinger's policy was the need to resolve the immediate financial problems caused by higher oil prices; as a means to this end, he proposed the creation of a \$25 billion common loan and guarantee facility (financial safety net).<sup>32</sup> Previously, the main impetus for financial schemes to deal with the deficit problem created by higher oil prices had come from the British, who had proposed an IMF facility that would borrow large sums from the oil producers and then relend them at high rates to industrial states and low ones to the LDCs. The French had accepted the idea but felt that the borrowing should be in the neighborhood of \$5-10 billion rather than the \$30 billion suggested by Britain.

In contrast to the British proposal, Washington suggested that the safety net be associated with the OECD and, like the IEA, have a weighted voting structure. It was to be linked to conservation commitments and the avoidance of restrictive trade, and was viewed as a supplement for the IMF and private channels. These differences were not reconciled easily and intricate political maneuvering over recycling schemes took place. In early 1975 the EEC endorsed the British IMF plan, which they wanted operationalized by Easter, and indicated that the Kissinger "safety net" proposal should be looked upon as a supplementary action that would probably take a year to effectuate.<sup>33</sup> After Washington agreed on a year's extension of the IMF plan at the \$6 to \$8 billion dollar mark and the Europeans agreed in principle to the Kissinger plan, an accord was reached by the IMF that included interest rate subsidies for thirty poor countries.

A third important aspect of Kissinger's energy policy was the development of alternate sources of energy to reduce dependence on oil. Such developments, however, whether of solar energy, atomic power, or other more exotic forms of energy, involved huge investments which could be suddenly undercut by an OPEC decision to cut oil prices substantially. Accordingly, Kissinger, despite reported disagreement within the Administration and criticism from petroleum experts, such as M.A. Adelman, proposed that the IEA agree on a floor price on imported oil.<sup>34</sup>

This proposal met with a mixed reaction in Europe where, depending on their need for imported oil, various countries either supported or opposed the proposal. Heavy importers, such as West Germany and Italy (and Japan), were cool to the idea because of apprehensions that it would enrich the US, in part, at their expense, while those with energy resources such as Britain, supported the proposal. Assistant Secretary of State, Thomas O. Enders, acknowledging this difficulty, argued that American proposals were simply a basis on which equilibrium could be reached and suggested the possibility of a compensatory mechanism to deal with the Japanese and Italian concerns.<sup>35</sup> There were continuing disagreements in the following weeks as the world experienced a surplus of oil, caused in part by conservation and a mild winter, but mainly by the recession that affected all the consuming nations. As a result, the heavy importers in Europe leaned toward lower prices and continued to voice skepticism

about the floor price idea. Calling attention of this reaction and what it portended for the future, Simonet suggested that a two-tiered price system be adopted, \$6-7 dollars for a barrel of oil and higher prices for other sources. He argued that the US proposal of \$7-9 might lead to a scramble for lower prices that would doom the development of alternate sources. The debate continued and, ultimately, despite reservations, the IEA agreed to the idea of a floor price, with the provision that each country be free to select the appropriate mechanism to support the price.<sup>36</sup> This agreement met one of Kissinger's vital preconditions for a preliminary producer-consumer meeting since he had consistently argued that such collective efforts were necessary prerequisites for any dialogue with the producers because, in their absence, existing bilateral efforts would simply resurface in a multi-lateral form.<sup>37</sup>

### Conclusions

If we consider the developments that have occurred in American-European relations since October 1973, it is clear that the Western Alliance survived a major economic threat and that, although the potential for serious division and fragmentation manifested itself after the imposition of the oil embargo and associated production cutbacks, the longer term witnessed a resurgence of cooperation. This resurgence was marked by movement towards the achievement of pre-embargo American objectives in several areas. Both the procedural and substantive actions which were taken between the summers of 1974 and 1975 demonstrated that concrete economic issues (in this case energy) could be identified and dealt with within a consultative framework. Moreover, the common concern over energy issues created a favorable context for addressing other economic problems that had aggravated transatlantic relations, such as the American chagrin with the protectionist policies of the EEC. The OECD pledge to avoid protectionist policies for one year and to reduce import duties on US goods was clearly a welcome development in this regard.

Several factors were particularly important in explaining why the sharp discord between Europe and the US over energy issues eventually gave way to a more constructive, cooperative approach. On a general level, there was a recognition on the part of the Europeans (except France) that in order to confront the new-found power of OPEC the

only realistic approach was to support the US strategy of consumer solidarity.<sup>38</sup>

The translation of this general recognition into concrete, effective actions, however, awaited several more specific developments. First, the success of American diplomacy in obtaining disengagement agreements between the belligerents in the Middle East and the termination of the embargo, as well as the restoration of diplomatic relations with Egypt, Syria and Algeria, had the effect of attenuating European fears that Washington was moving toward a confrontation with the oil producers. Second, the governmental changes in Europe in the spring of 1974 brought to power individuals more disposed to actualize the potential areas of cooperation set forth at the Washington Energy Conference. Third, the US Government's support for the IMF facility and its success in defeating Senator Mansfield's attempt to reduce US forces in Europe combined with the OECD trade measures noted above to foster a climate conducive to cooperation.

Finally, in the background was the perceived need to maintain the strength and cohesion of NATO. This need, which was clearly reflected in the compromise agreement on consultations in the summer of 1974, was accentuated by the Cyprus conflict and the coup in Portugal. Although the French vigorously insisted that military and economic issues be kept separate, statesmen could hardly avoid the reality that the weakness, vulnerability and internecine conflicts engendered by the energy dilemma could have a deleterious impact on NATO. Thus, the potential dangers for NATO functioned as an added incentive to cooperate in the energy area.

Integrally related to these factors was, of course, the assertive and persistent efforts of Secretary of State Kissinger. While his initiatives were crucial ingredients in the energy agreements which followed, it must be emphasized that without the other factors they would most likely have failed.

It would be both misleading and naive, however, to overemphasize the achievements thus far; for in the energy area alone, many issues remain to be resolved and substantial disagreements exist on both sides of the Atlantic regarding the best way to deal with them. Perhaps the greatest danger is that the US, which has exerted leadership on this



issue, will suddenly find itself unable to meet its commitments because of bureaucratic and, most especially, Congressional opposition. Already significant reservations have been voiced concerning the \$25 billion safety net, the floor price, and measures designed to reduce the consumption of petroleum to the agreed upon amount.

Even if the US does adopt a comprehensive and appropriate energy policy, the actions of other actors can have a decisive impact upon this situation. Obviously, the main consideration here is an outbreak of fighting in the Middle East which could easily prompt the imposition of a new embargo by one or more Arab states. How the delicate mechanisms created by the IEA would actually function in such an eventuality remains to be seen. Should they fail, the renewed sense of cooperation would no doubt yield to a new pattern of relations marked by competition and recriminations that would have an unhealthy impact on the image and perhaps even the cohesiveness of NATO.

## FOOTNOTES

1. By *goals* we mean the general, long-term, and best conceivable outcomes that policymakers seek to establish during a time span which can be reasonably anticipated. *Objectives* are the more precisely defined short range preferred outcomes that are attainable at any particular time given the existing configuration of the domestic and international environments. Techniques used to achieve objectives are self-explanatory. One scholar has broken them down as follows: (1) persuasion; (2) offering rewards; (3) granting rewards; (4) threatening punishment; (5) infliction of non-violent punishment; and (6) application of force. See K. J. Holsti, *International Politics: A Framework for Analysis*, 2nd edition (Englewood Cliffs, New Jersey: Prentice-Hall, 1972), pp. 167-168.

2. The concern of European leaders over the possibility of a precipitous US reduction in forces was exacerbated by the fact that the European public did not share the view that forces ought to be maintained at existing levels and modernized. See, for example, *The New York Times*, 21 December 1971, and 13 June 1973, (hereafter referred to as *NYT*); Albert Wohlstetter, "Threats and Promises of Peace: Europe and America in the New Era," *Orbis*, Winter, 1974, pp. 1107-1144.

3. *US Foreign Policy for the 1970s: Shaping a Durable Peace*, A Report to the Congress by Richard Nixon, President of the United States, 3 May 1973 (Washington: US Government Printing Office), pp. 77 and 80-81 (hereafter referred to as *FPR*—Foreign Policy Report); "1973: The Year of Europe," Address by Secretary of State Henry A. Kissinger to the Associated Press, New York City, 23 April 1973, Full Text, *Current Foreign Policy* (Washington: Bureau of Public Affairs, Department of State, June 1973). The various aspects of the concept of consultations was not fully developed in these documents. For an earlier attempt to grapple with this problem, see Harland Cleveland's thoughtful work *NATO: The Transatlantic Bargain* (New York: Harper and Row, 1970).

4. "1973: The Year of Europe, ..." *FPR*, 3 May 1973, pp. 77 and 82-83.

5. On the differential dependency of the US and Europe, see Uzi B. Arad, "Is the Atlantic Soluble in Oil," in *The Energy Crisis and U.S. Foreign Policy*, Joseph S. Szylowicz and Bard E. O'Neill, eds. (New York: Praeger, 1975), p. 154.

6. "1973: The Year of Europe, ..." *FPR*, 3 May 1973, pp. 77-81; *NYT*, 15 May 1973.

7. Many observers (Kissinger-watchers) claimed prior to the embargo that Kissinger was insouciant towards economic issues, especially energy. Thus decision-making on matters as trade, aid, and investment were left to a variety of often conflicting agencies. See Tad Szulc, "Foreign Policy: The Economic Problem," *NYT*, 20 January 1973. After the embargo, Kissinger's attitudes

toward both economics and energy changed dramatically and this, we believe, was a key determinant in the changes that were to occur in US foreign policy.

8. "United States Troop Levels in Europe," Remarks by Undersecretary of State Kenneth Rush to the Senate Foreign Relations Committee (Washington: Bureau of Public Affairs, Department of State, 1973).

9. Manlio Brosio, "Consultation and the Atlantic Alliance," *Survival*, May-June, 1974, pp. 116-117.

10. Text of Modified Draft of a US-Common Market Statement, *NYT*, 9 November 1973.

11. *NYT*, 1 December 1973. For a scathing critique of Europe's early reactions to the embargo and oil curback, see Walter Laqueur, "The Idea of Europe Runs Out of Gas," *The New York Times Magazine*, 20 January 1974. In informal discussion with us, EEC officials expressed chagrin with Europe's dilatory approach to energy cooperation prior to the embargo. Laqueur had attributed this situation to French intransigence. See *Confrontation: The Middle East War and World Politics* (London: Wildwood House, 1974), p. 242. Subsequent to the embargo, the EEC, of course, became far more active. See, for example, *Towards A New Energy Policy Strategy for the European Community: Communication and Proposals from the Commission to the Council* (Brussels: Commission of the European Communities, 29 May 1974).

12. Joseph A. Yager and Eleanor B. Steinberg, *Energy and U.S. Foreign Policy* (Cambridge, Mass.: Ballinger Publishing Company, 1974), p. 406.

13. *The Washington Post*, 30 November 1973 thereafter *WP*; *The Christian Science Monitor*, 3 December 1973 thereafter *CSM*; *NYT*, 19 November 1973, and 1 December 1973. For an excellent and succinct historical analysis of European attempts to address energy issues since the 1950s, see Peter Stingelin, "Europe and the Oil Crisis" *Current History*, March 1975, pp. 97-100 and 132-134.

14. Henri Simonet, "Energy and the Future of Europe," *Foreign Affairs*, April 1975, p. 451.

15. *United States-Europe Relations and the 1973 Middle East War*, Hearings Before the Subcommittees on Europe and on the Near East and South Asia of the Committee on Foreign Affairs, 1 November 1973 and 19 February 1974, (Washington: US Government Printing Office, 1974), pp. 31-32 and 37; Brosio, p. 116.

16. Prepared text, *NYT*, 13 December 1973.



17. *NYT*, 20 December 1973.
18. Cited in *The Denver Post*, 23 January 1974.
19. *WP*, 27, 29, and 31 January 1974; *CSM*, 28 January 1974, 4 February 1974; *NYT*, 26 January 1974.
20. Opening Remarks of Secretary of State Henry A. Kissinger at the Washington Energy Conference of Oil-Consuming Nations at Washington, DC, 11 February 1974 (Washington: Bureau of Public Affairs, Department of State, 11 February 1974).
21. Text of the Communique of the Washington Energy Conference, *NYT*, 14 February 1974.
22. *WP*, 14 February 1974.
23. *WP*, 17 March 1974 (news articles by both Murrey Marder and Dan Morgan); *NYT*, 17 March 1974.
24. United Press International Dispatch, *NYT*, 24 March 1974.
25. In the spring of 1974, the new governments that were installed in Britain, France, and Germany were led by Harold Wilson (Labor Party), Valéry Giscard d'Estaing (Independent Republicans), and Helmut Schmidt (Social Democratic Party), respectively.
26. *WP*, 1 June 1974; *NYT*, 31 May 1974.
27. *Declaration on Atlantic Relations*, 19 June 1974 (Brussels: NATO Information Service, n.d.), article 11, pp. 4-5; *International Herald Tribune* (Paris), 20 June 1974; *NYT*, 12 June 1974.
28. *NYT*, 30 September 1974. Indeed, some observers saw the weighted vote formula as a breakthrough in international organization. Oil sharing required 60 percent of the weighted vote once a member's supply was cut 7 percent. Of the total of 148 votes, the US had 51; Japan, 18; West Germany, 11; Britain, Italy, and Canada, 8; Belgium, the Netherlands, Sweden, and Spain, 5; and the others, 3 each.
29. Although Giscard d'Estaing reportedly believed that his predecessor's policy was wrong, he rejected the notion of a complete *volte face* for fear of alienating support from the Gaullists. See *NYT*, 2 and 10 July 1974.

30. Text of Martinique Communique, *NYT*, 17 December 1974. Some observers attributed the harmony, in part, to German concerns over American defense commitments and British fears about its economic situation. See *NYT*, 18 December 1974.

31. The Department of State, News Release, "International Aspects of the President's Energy Program," (Washington: Bureau of Public Affairs, Department of State, 11 March 1975).

32. "Energy Crisis: Strategy for Cooperative Action," Address by Secretary of State Henry A. Kissinger, Chicago, Illinois, 14 November 1974 (Washington: Bureau of Public Affairs, Department of State, n.d.).

33. In Europe there was concern over a number of aspects related to Kissinger's safety net. In general, there was a reported feeling that it might be interpreted as "confrontation" politics against the oil producers. On a specific level, Germany was concerned that because the plan would be backed by individual subscribers, it would be called on to contribute too much by virtue of the fact that it had some \$40 billion in reserves. On the IMF plan, meanwhile, the US was not enthusiastic about plans to borrow from producers and the reliance on rich countries as guarantors. *NYT*, 9 and 15 January 1975.

34. On the disagreement, see *NYT*, 30 January 1975. For Kissinger's proposal and its supportive argumentation, see "Energy: The Necessity of Decision," Address by Secretary of State Henry A. Kissinger to the National Press Club, 3 February 1975 (Washington: Bureau of Public Affairs, Department of State, n.d.). Outside the government, oil economist M. A. Adelman argued against the floor price idea, suggesting instead his long preferred alternative of quotas for imports and the sale of import licenses by sealed bids to foster price cutting by OPEC.

35. *NYT*, 6 February 1975. Behind the scenes in the US, the Departments of State and Treasury were divided over the floor price question, with the latter favoring market forces in lieu of a negotiated agreement. See *NYT*, 8 February 1975 and *The Denver Post*, 25 February 1975.

36. *NYT*, 21 March 1975.

37. "Energy Crisis: Strategy for Cooperative Action. . ."

38. Simonet, p. 455.